

Mass. Pensions Get \$170 Million Boost

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Years after the housing market collapse took a toll on pensions and retirement funds, a settlement in a class-action suit could yield a windfall for affected state pensions, thanks to a settlement reached between Massachusetts pension groups and Fannie Mae.

The groups proposed a \$170 million settlement with Fannie Mae in their class action suit. The ruling could benefit tens of thousands of class members.

The Massachusetts Pension Reserves Investment Management (PRIM) was created in 1983 to help Bay State retirement systems meet pension obligations. The group, along with the State-Boston Retirement Board, sued federal mortgage company Fannie Mae in 2008, claiming it defrauded pensioners by violating the Securities Exchange Act of 1934 when it made “false and misleading statements about the internal controls of the company,” along with false claims about their exposure to subprime loans.

PRIM and the State-Boston Retirement Board also maintained that Fannie Mae’s exposure in the subprime mortgage market was revealed in partial disclosures before the Federal Housing and Finance Agency, or FHFA, took Fannie under conservatorship.

The settlement is the first step in a process that will “return to PRIM and other shareholders a portion of the assets lost due to alleged securities fraud” allegedly carried out by the federal agency, according to a statement released by PRIM.

“We are proud to have helped negotiate a meaningful recovery for Fannie Mae Investors by stepping forward in this case,” said PRIM Board Deputy Executive Director Michael Trotsky in the statement.

PRIM General Counsel and Deputy Executive Director Chris Supple added that he was pleased “to have been able to negotiate this settlement,” especially in light of the fact that “a very similar lawsuit against Freddie Mac, Fannie Mae’s sibling company, was dismissed.”

The next step will be for PRIM’s experts to develop a plan to gather the extent to which its overall losses were directly linked to the alleged misdeeds. Once a court approves that plan, an administrator will oversee the claims in order to award PRIM and other shareholders portions of the settlement.